BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2005-13-WS – ORDER NO. 2007-138

FEBRUARY 26, 2007

IN RE: Application of Wyboo Plantation Utilities, Inc. for Approval of New Schedule of Rates and Charges for Water and Sewer Services	))))	ORDER DENYING APPROVAL OF NEW SCHEDULE OF RATES AND CHARGES FOR WATER AND SEWER SERVICES

INTRODUCTION

This matter is before the Public Service Commission of South Carolina ("Commission") by way of the application of Wyboo Plantation Utilities, Inc. ("WPU" or "the Company") for approval of an increase in rates for its water services and sewer services in its service areas located in Clarendon and Sumter counties. WPU is presently operating under the water rates set by this Commission in Docket No. 96-227-W and under sewer rates set by this Commission in Docket No. 97-391-S.

Pursuant to the instructions of the Commission's Docketing Department, the Company published a Notice of Filing, one time, in newspapers of general circulation in the Company's service area, and served a copy of said Notice on all affected customers in the service area. The Company furnished affidavits to show that it had complied with the instructions of the Docketing Department. Petitions to Intervene were filed prior to the return date by The Villas at Wyboo Property Owners Association, Incorporated and Wyboo Plantation Owners Association, Inc. An additional Petition to Intervene was filed

out of time by John C. Bruffey, Jr. and Deer Creek Plantation Properties, Inc., but the Commission denied this Petition as untimely.

The Commission held a local public hearing in this docket on Monday, October 30, 2006, at 6 p.m. in the Clarendon County Courthouse in Manning, South Carolina, at which public testimony relating to the requested rate increase was offered. Thereafter, a hearing on the merits was held January 22 through January 24, 2007, in the offices of the Commission. John F. Beach, Esquire appeared on behalf of WPU. Wendy Cartledge, Esquire and C. Lessie Hammonds, Esquire appeared on behalf of the Office of Regulatory Staff ("ORS"). Robert E. Tyson, Jr., Esquire appeared on behalf of intervenor The Villas at Wyboo Property Owners Association ("The Villas").[1] Charles H. Cook, Esquire and Scott Elliott, Esquire appeared on behalf of intervenor Wyboo Plantation Owners Association, Inc. ("Homeowners").

SUMMARY OF REQUESTED RELIEF

The Commission, in Docket No. 96-227-W, Order No. 1996-757, previously established a water rate of $18.00 per month for all of WPU's customers. The Order further approved a $10.00 monthly irrigation charge, but it did not establish a water tap fee. In Docket No. 97-391-S, Order No. 1998-33, the Commission established a sewer rate of $20.00 per month for all of WPU's customers and established a sewer tap fee of $500.00. In the application now before the Commission, WPU seeks to increase its residential water rate to $67.00 per month and its residential irrigation rate to $25.00 per

[1] Prior to the hearing, counsel for WPU and the Villas advised the Commission that they had reached a stipulation with respect to the rates payable by the Villas. Generally, the stipulation provides that the Villas at Wyboo condominium units, sales office, laundry, pool showers and restrooms would be billed at one single-family equivalent; the assembly hall would be billed at a rate of one and a half times a single-family equivalent. The manager's residence would be billed at a residential rate. The Commission memorializes the terms of the stipulation herein for application to current and future rates.

month. In addition, the Company seeks to establish commercial and mobile homes rates together with connection fees, a plant impact fee and a disconnection/reconnection fee. WPU further seeks to increase its sewer service rate to $75.00 a month, establish commercial and/or mobile home rates, increase its sewer service connection fee, establish a plant impact fee for new sewer customers, establish swimming pool water fees and establish a disconnection/reconnection fee. In addition, the Company seeks to establish, *inter alia*, fees for maintenance, repair and replacement of certain of its wastewater treatment facilities.

SUMMARY OF TESTIMONY

Overview of Witnesses

At the local public hearing in Manning, South Carolina on Monday, October 30, 2006, the Commission heard from a large number of public witnesses in opposition to WPU's application for rate relief. At the beginning of the proceedings on January 22, the Commission heard from two public witnesses, both customers of WPU residing in Clarendon County. Thereafter, in the course of the hearing held January 22-24, 2007, the Commission heard from witnesses presented by parties to the case. Mark S. Wrigley, President and sole owner of WPU, testified for the Company. WPU also called as witnesses Willie J. Morgan, Christina L. Seale, and Douglas H. Carlisle, Jr., all of the ORS. Morgan, Seale, and Carlisle all appeared under compulsion of subpoena. Dwight D. Samuels, Daniel L. McDonald, and Leo C. Gallagher testified on behalf of the Homeowners. The ORS presented the testimony of Robert A. Sternberg, a WPU customer and a residential building contractor, and Morgan, Program Manager for the Water and Wastewater Department of ORS.

Discussion of Witness Testimony

The public witness testimony heard at the continuation of the Commission's hearings on January 22, 2007, was fairly representative of the testimony heard by the Commission at the October 30, 2006 hearing. The first public witness, James McBride, testified as to his poor customer service experience with WPU. Specifically, McBride testified that when he called the Company to fix a malfunctioning sewer pump, it did not supply the float needed for the repair for over one month. In the meantime, McBride was required to start and stop his sewer pump manually. After WPU delivered and installed the part, the Company refused to perform the remaining electrical repairs required to make the system fully operational and declined to reimburse McBride for expenses associated with finishing the repair to the system and restoring his yard to its original condition. In support of his assertion that the Company should have been responsible for bearing all of the repair costs, McBride presented documentary evidence in the form of the stock purchase agreement by which the utility was purchased by the present owner. The document indicated that the utility was to be responsible for "the maintenance of all water pumps, wells and lines, and sewer lines, lift stations, treatment facilities, and every other component of the systems operated by Wyboo Utilities." (1/22/07 Transcript, p. 14, ll. 1-7). The parties declined to cross-examine McBride.

The next public witness, Mr. James Stites, testified that he had also observed poor customer service by the Company, and suggested that no rate increase should be permitted until WPU had improved customer service and corrected any other deficiencies.

The first witness called by WPU to the stand was Mark Wrigley, the President and owner of the Company. Wrigley testified that he had purchased the utility in March 2001,

and that since that time, he had made personal investments of more than $500,000 in improvements to the system. He testified as to his intent to make additional updates and expansions to the system in the future at an estimated cost of $1.2 million. He also stated that the requested rate relief was to fulfill a "desperate need" and that the utility was losing money at the rate of $100,000 per year. Wrigley further testified that he understood his company to be responsible for maintenance and repairs to the Septic Tank Effluent Pump ("STEP") systems installed at some residences within the WPU service area, and that the Company was requesting authority to pass on the costs of maintenance of the STEP systems to the affected customers.

On cross examination, Wrigley confirmed his prior testimony that the Company was obligated to "oversee and take charge of the maintenance" of the STEP systems, but Wrigley qualified that statement, maintaining that it was still legally unclear to him as to whether WPU was required to pay or reimburse all of the expenses incurred in repairing the systems. (1/22/07 Transcript, p 90, ll. 12-17). Wrigley stated that the Company would reimburse customers for expenses they incurred in repairing STEP systems if it were ordered to do so by the Commission. (1/22/07 Transcript, p. 112, ll. 9-13). Wrigley admitted that he did not have any preliminary engineering reports or detailed plans for the $1.2 million in system improvements which he had previously testified were needed. (1/22/07 Transcript, p. 113, l. 11-p. 114, l. 11).

Homeowners' counsel questioned Wrigley extensively as to his claim that, in May of 2006, the Company gave salary increases to seven employees, including Wrigley's mother, his brother, his wife, and his daughter, but that these employees had agreed to accept half of their agreed-upon salaries in their regular paychecks and to defer receipt of

the outstanding half until some undetermined later date when the money to pay was available. In his prefiled testimony, Wrigley stated that the employees would be paid their outstanding wages when the Company's request for a rate increase was approved by the Commission. At trial, Wrigley denied that the payment of the unpaid wages was contingent upon Commission approval of a rate increase, stating that he would find a way to pay the promised funds regardless of the outcome of the rate case. While Wrigley's prefiled testimony implied that all seven of the affected employees worked for the Company prior to the implementation of the salary raises, the Applicant's tax return for 2005 shows payment of only one salary: that of Mark Wrigley himself. Wrigley also testified that one employee, Eddie Barrett, is no longer employed by the Company.

Homeowners' counsel questioned Wrigley as to why Wyboo Plantation property owners sometimes made payments for certain fees and charges to an unregulated entity named Wrigley and Associates, Inc. ("Wrigley and Associates"). Wrigley confirmed that he was the sole owner of Wrigley and Associates, and that Wrigley and Associates was a separate company to which WPU customers would sometimes pay their water and sewer tap fees when establishing service with the Company. Wrigley testified that he did not know the meaning of the term "affiliated companies," and WPU did not disclose any in its application. Wrigley also claimed not to have known that unregulated affiliates could not legally be used to evade the requirement that rates and fees relating to public utilities must be approved by the Commission.

Customer service issues were also addressed. Wrigley was questioned about a series of incidents in which customers had expressed high levels of dissatisfaction. Wrigley characterized many of these as misunderstandings, but acknowledged that he

needed to improve his customer relations skills. He also acknowledged that no members of the public have come forward and testified in support of the requested rate increase, and that all of the comments about him and the Company elicited in the course of this rate case are negative.

Counsel for WPU next called three witnesses employed by the ORS. Counsel for the Homeowners objected to permitting the Company to call ORS witnesses Morgan, Seale, and Carlisle to the stand to prove WPU's case in chief. The Homeowners argued that because the ORS is an independent regulatory agency created by statute to be independent of both the Commission and the other parties, WPU could not compel ORS's employees to testify to prove its case in chief. The Homeowners argued that the testimony and evidence presented by WPU's chief witness, Wrigley, failed to prove the entitlement to a rate increase. The Homeowners argued further that state law did not authorize or otherwise permit WPU to use the independent audit and review of the Company's revenues and expenses by the ORS to attempt to prove the WPU's entitlement to any rate increases in its case in chief. After hearing argument of counsel, the Commission overruled the objection, holding that the witnesses placed under subpoena by WPU could be called by it to offer fact testimony relevant to the proceeding of which the witnesses had personal knowledge, and that WPU was entitled to rely upon any competent, relevant evidence in presenting its case.

The Company's unusual manner of presenting its case – largely through the use of testimony from ORS witnesses whose appearances it compelled by subpoena – was chosen by WPU after the unfortunate death, several weeks prior to the hearing, of Mr. Joe Maready, the expert witness WPU had retained to testify in support of the proposed rate

increases. WPU moved to have the Commission admit Maready's prefiled testimony into evidence, but in response to the Homeowners' objection, the Commission ruled that Maready's testimony was inadmissible hearsay and denied WPU's motion to have it admitted. To support its case for a rate increase, WPU then elected to rely upon the testimony of its owner, Wrigley, and the three ORS witnesses it had placed under subpoena, rather than to retain a new expert to testify at trial following Maready's death. The time constraints imposed upon both the parties and the Commission by the six-month statutory deadline contained in S.C. Code Ann. §58-5-240(C) for issuance of the Commission's order in the present docket undoubtedly would have hindered WPU's efforts to retain and prepare a new expert witness for appearance at trial. *see* S.C. Code Ann. 58-5-240(C).

Morgan, ORS' Water and Wastewater Department Program Manager, was called by WPU to support its request to shift the burden of the operation, maintenance, repair and replacement of the Company's STEP system from WPU to its customers. Morgan, however, testified to the fact that by virtue of its operating permit with the South Carolina Department of Health and Environmental Control (DHEC), WPU was responsible for the operation, maintenance, repair and replacement of all system components of the STEP systems at WPU's expense. Morgan's testimony made clear that he and the ORS opposed shifting the burden of maintaining and repairing these systems to the rate payers (prefiled testimony of Morgan at Page 16, l. 3 – Page 17, l. 12). Morgan further offered that the evidence of record reflects that DHEC has rated WPU's water and wastewater systems as unsatisfactory, and the Commission finds that this testimony is both credible and relevant to its evaluation. (prefiled testimony of Morgan, page 11, and Exhibit WJM-5).

Ms. Seale was called by WPU to testify to the audited revenues and expenses of the Company's financial information for the purpose of establishing an operating margin. However, WPU had failed to justify affiliate transactions concerning salaries, payroll taxes, credit card payments and rent between WPU, its owner Wrigley, and Wrigley and Associates, Inc., upon which Seale had based her audit. The ORS withdrew Seale's prefiled testimony and did not plan to call her as a witness. At trial, Seale testified that WPU's failure to justify these affiliate transactions made her initial findings, memorialized in her prefiled testimony unreliable. The effect of the withdrawal of Seale's testimony was to eliminate any figures for salary and attendant payroll taxes, transactions concerning a credit card owned by an affiliate, and a lease between WPU and its owner, Wrigley, leaving an incomplete record from which to justify any rate relief.

Dr. Carlisle of the ORS, who had no first-hand knowledge of Seale's audit, was unable to recommend an appropriate operating margin for WPU due to the uncertainties created by the affiliate transactions. Just prior to the hearing, ORS had withdrawn his prefiled testimony.

In an effort to justify the reasonableness of certain affiliate transactions, as required by this Commission's Order of November 29, 2006, Wrigley was allowed to return to the witness stand to address payments made by WPU's customers directly to affiliates, payments made by WPU to satisfy debts owed on the credit card of an affiliate, a lease between WPU and its affiliate, salary and wage payments by and between WPU and affiliates, cable television charges, telephone charges and other affiliated transactions appearing in the record.

DISCUSSION

The burden of proof rests with WPU to prove its entitlement to a rate increase. There is insufficient evidence in this record to support the Company's request for a rate increase. Accordingly, WPU's application for a rate increase is denied.

WPU proposed the test year of January 1, 2005, through December 31, 2005, and accordingly, the application herein included certain financial statements related to that time period. A fundamental principle of the rate-making process is the establishment of a test year period. In Heater of Seabrook v. Public Service Commission of South Carolina, 324 S.C. 56, 478 S.E.2d 826 (1996). In order to determine what a utility's expenses and revenues are for purposes of determining the reasonableness of a rate, one must select a test year for the measurement of the expenses and revenues. *Id.*, 478 S.E.2d 828, n.1. The test year is established to provide a basis for making the most accurate forecast of the utility's rates, reserves and expenses in the near future when the prescribed rates are in effect. Porter v. South Carolina Public Service Commission, 328 S.C. 222, 493 S.E.2d 92 (1997). This historical test year period may be used as recognizing adjustments that are made for any out-of-period changes in expenses, revenues and investments that are known and measurable.

The Commission must review and analyze inter-company dealings and transactions between the utility and its owner to determine whether these dealings are reasonable. If the evidence of record fails to demonstrate the reasonableness and propriety of the services rendered by related companies or other affiliates, the Commission is duty bound to refuse to allow the expenses in setting rates. Hilton Head Plantation Utilities, Inc. vs. Public Service Commission of South Carolina, 312 S.C. 448, 441 S.E.2d 321 (1994). The

applicant has the burden of proof of the reasonableness of the expenses incurred. When payments are made to an affiliate company or individual, a mere showing of actual payment does not establish a *prima facie* case of reasonableness. Hilton Head Plantation Utilities, Inc. vs. Public Service Commission, *supra.* Charges arising in relationships between affiliated companies must be scrutinized with care and the reasonableness and propriety of the charges made and services rendered by the affiliate must be ascertained; otherwise, the Commission must disallow such costs for rate making purposes. The ORS made no recommendations to the Commission with regard to the prudency of the affiliate transactions presented in this case, but upon review of the evidence presented, the Commission finds that WPU has failed its burden of demonstrating prudency, and therefore disallows these costs.

WPU failed to provide adequate justification for and the prudency of the alleged salary increases to Wrigley's claimed employees. The alleged salary increases occurred, if at all, outside the test year. Furthermore, Wrigley stated in his prefiled testimony that the salary increases are contingent upon a future event outside the control of WPU, specifically the granting of a rate increase which is within the exclusive province of this Commission. Wrigley later attempted to disavow that contingency at the hearing, but since he could not offer any other explanation of how he planned to pay for the salary increases, the Commission does not find his hearing testimony on this issue to be credible. Wrigley also failed to convince the Commission that the proposed salaries would have been justified in any event. Wrigley testified that he determined the claimed salary levels after consulting the employment section of the State of South Carolina's web site. However, the Commission is not convinced that the positions identified by Wrigley were appropriate for

his company or the qualifications of WPU's employees. Further, the testimony of WPU's witness Seale fails to justify these salary increases. The salary increases all fell outside the test year, and are not known and measurable.

Moreover, the rent required by the lease between WPU and its owner, Wrigley, was not proven to be justified or prudent. The lease called for rent payments of $2,000.00 a month with additional penalties if the rent is not paid timely and in full. However, it is undisputed in the record that the utility was paying substantially less than the rent required by the lease, which by its terms gave Wrigley the right to impose a substantial penalty on WPU. Like the purported salary agreements, this lease was entered into May of 2006 outside the test year.

The record is far from clear as to what salaries WPU actually paid within the test year. WPU stated in its application that its salaries and wages during the test year were $50,488.00. However, WPU's witness Seale could not corroborate the Company's claims. Mr. Wrigley admitted that WPU's tax return for 2005 reflected salaries in the foregoing amount. Without pointing to any evidence in the record, Mr. Wrigley disputed even his own figure for salaries and wages alleged in his application. Of course, without credible evidence of salaries and wages, there can be no credible evidence of payroll taxes associated with the salaries, and this Commission so finds. Last, WPU's witness Seale testified that Mr. Wrigley had proven no payment under the rental agreement during the audit, and this Commission finds that no credible evidence of such was presented. It is important to note that WPU did not contest any of the remaining adjustments set out by Seale.

The Company admits to requiring its customers and rate payers to make payments to an affiliate. The record is devoid of any justification for these charges, and this Commission finds none. The self-dealing nature of the affiliate transactions presented in this case and its potential for abuse is obvious. The lease between WPU and its owner, Wrigley, is particularly disturbing. The lease calls for rental payments of $2,000.00 a month. There is no evidence in the record to indicate that this rental rate is reasonable as determined by comparable rental properties in the same area of Sumter, South Carolina. The penalty provisions for unpaid rent are onerous: $500.00 per delinquent payment. Mr. Wrigley intentionally underpaid the required rent under the lease by half every month and for every such half payment, WPU fell another $500.00 behind by virtue of the penalty. Whether Wrigley actually intends to collect the penalty from WPU is not relevant to the question of whether the lease is justifiable or reasonable. The terms of this lease are simply not justifiable or reasonable. Similarly, although WPU requested certain water fees for swimming pools and a plant impact fee, no credible testimony or exhibits evidenced or justified such fees.

Moreover, the record is replete with evidence of poor quality of service to WPU's customers. The many witnesses testifying at the night hearing in this matter on October 30, 2006, as well as the public witnesses and the intervenors' witnesses who testified during the January, 2007 proceedings, plainly and articulately pointed out an unacceptable level of quality of service, including lack of parts, untimeliness of repair and abusive attitude and actions to customers. Moreover, the Company's witness Wrigley admitted a long list of violations of the statute rules and regulations controlling service levels.

In a rate proceeding, quality of service is a crucial element to be considered by this Commission when arriving at just and reasonable rates for the company, and the Commission finds that WPU's service has been deficient in this regard. The customer complaints regarding WPU's service are a component of quality of service, as is the evidence presented regarding the unsatisfactory ratings given to WPU's water and wastewater systems, and the Commission has evaluated these quality of service components as part of its determination to deny WPU's application. Indeed, our Supreme Court has affirmed the premise that the quality of service is a necessary factor among other considerations in determining a just and reasonable operating margin when approving a rate increase. Patton vs. Public Service Commission, 280 S.C. 288, 312 S.E. 2d 257 (1984).

SPECIFIC VIOLATIONS

The Commission also finds that, by its own admission, WPU is in violation of a considerable number of the statutes and rules and regulations of this Commission governing its conduct:

1. WPU does not maintain its books and records in accordance with NARUC System of Accounts for Class C utilities pursuant to 26 SC Code Ann. Regs. 103-517 and 103-719.
2. Customer billing records are inaccurate and incomplete.
3. Bank deposit records do not reconcile with ledger or QuickBooks software reports.
4. Monthly invoices/statements are not issued for customers who pay monthly fees in advance.

5. Customer account records are maintained in both ledger forms and QuickBooks software. The two accounting systems do not reconcile.

6. Complaint records do not have a resolution provided on the complaint form as required pursuant to 26 S.C. Code Ann. Regs. 103-516, 103-538, 103-716 and 103-738.

7. Complaint records ("Work Order System Report") show customers being required to make an unauthorized payment to a Mr. Eddie Barrett, not WPU, for repair work on the Septic Tank Effluent Pump ("STEP") systems. Mr. Barrett has been listed as an employee of WPU in its filings; however, he has been treated as an independent contractor by the Company.

8. WPU does not maintain proper procedures to ensure complainants are notified that WPU is under Commission jurisdiction as required by Commission regulations.

9. Customer billing format does not include a rate schedule as required by 26 SC Code Ann. Regs. 103-532.1(d) and 103-732.2(d).

10. WPU has charged rates and charges not authorized by the Commission. During the ORS Business Audit, the following unapproved rates and charges were discovered:

    i. Overcharge of the tap fee for establishing sewer service;

    ii. Tap fee charged for establishing water service;

    iii. Cut-on fee;

    iv. Cut-off fee;

    v. Illegal water use fee;

vi. Water Service for Pool charges;

vii. Impact fee;

viii. DHEC sewer fee;

ix. Charges to customers for repair to sewer STEP system;

x. Charges to customers for repair to utility water system; and

xi. Double charging of DHEC Safe Drinking Water Act ("SDWA") fee for same location.

11. The SDWA fee authorized by DHEC and collected by WPU is not managed properly. During the test year, WPU collected over $14,000 in SDWA fees by billing customers at a rate of $3.50 per month per mobile home park customer and $2.38 per month per residential customer in the Manning area. DHEC invoiced WPU in June 2005 for $9,852 for its SDWA fees. WPU recorded a payment to DHEC in the amount of $9,852. As set forth in S.C. Code Ann. Section 44-55-120 (Supp. 2005), SDWA fees collected from customers can only be used to pay DHEC for oversight of the drinking water system. WPU did not provide support that the remaining balance of $4,148 was escrowed in a separate account for subsequent DHEC billings. In addition, ORS could not determine if customer fees were subsequently reduced to offset this over-collection.

12. Deposits are not refunded pursuant to 26 S.C. Code Ann. Regs. 103-531.5 and 103-731.5.

13. Interest payments on deposits are not made to customers pursuant to 26 S.C. Code Ann. Regs. 103-531.2(B) and 103-731.2(B).

14. Assessments of deposits are not handled in a manner consistent with Commission regulations. WPU is unable to provide supporting documentation demonstrating that customers required to make a deposit for water/sewer service meet the conditions outlined in 26 S.C. Code Ann. Regs. 103-531. Cedar Hill and Granada Mobile Home Park customers are charged a deposit to establish service. In contrast, mobile home customers near the Wyboo Plantation subdivision area have not been required to provide a deposit since 2004. This method of assessing deposits based on subdivision is discriminatory.

15. WPU facilitated customer water and sewer tap fee payments to an affiliated, privately-owned company, Wrigley and Associates, Inc. Wrigley & Associates, Inc. has not obtained Commission approval pursuant to 26 S.C. Code Ann. Regs. 103-502.2, 103-502.10, 103-502.11, 103-503, 103-702.2, 103-702.13, 103-702.14, and 103-703 to charge a "rate" for utility service. WPU is the entity which should collect water and sewer tap fees from lot owners and customers. Individuals who acquire water and sewer taps should do so only from a Commission certificated utility or a governmental entity which provides water and/or sewer service. The payment of tap fees to an entity other than WPU makes it virtually impossible to accurately track expenses and revenues for utility services. Moreover, WPU is charging fees in excess of the approved sewer tap fee.

16. WPU extended its service area without Commission approval. WPU provides sewer service to customers in the Mill Creek subdivision without

having obtained prior Commission approval as required by 26 SC Code Ann. Regs. 103-504.

17. Customers are not afforded the opportunity to select an economical rate schedule. WPU personnel identify customers using irrigation water service by driving through the service area and observing customer's use of outside sprinklers and watering hoses. According to 26 S.C. Code Ann. Regs. 103-730.D, WPU shall assist prospective customers in selecting the most economical rate schedule. WPU independently assigns irrigation charges based on the Company's observations. If the customer was aware that a separate irrigation charge would be applied to all outside watering, the customer may not choose to receive irrigation services from WPU.

The Commission notes that as late as November 8, 2006, when WPU prefiled its testimony it had yet to address and correct any of these violations identified by the ORS.

CONCLUSION

In summary, WPU has failed to meet its burden of proof. The out-of-test-year salary increases and rental increases are not known and measurable. The Company failed in its effort to prove the reasonableness of the affiliate transactions with respect to salary, credit card payments and rent. Indeed, Seale's testimony is replete with examples of self dealing which are not contested by WPU. Wrigley's own hearing testimony is in many respects inconsistent with or contradictory to that which he gave in the form of written prefiled testimony also in the record. Wrigley also did not address in any way the financial declarations contained in the Company's application for rate relief. The record also contains myriad examples of incidents in which Wrigley and WPU delivered poor

customer service; Wrigley offers little or no rebuttal to the customers' complaints. Due to a lack of credible evidence to support a rate increase and insufficient credible data from which we can calculate a true operating margin, the Commission readopts the operating margins established in the prior rate proceeding and denies the requested rate increase.

Our decision in this proceeding does not in any way preclude WPU from again seeking rate relief at a future time. However, it is imperative that WPU come into compliance with all applicable regulations and correct any and all other deficiencies, and such compliance would be of significant importance to the Commission in consideration of any future request for rate relief.

The Commission takes notice, however, that no water tap fee has been previously established for the Company. The Commission adopts in this Order water tap fees as follows: $825 for a ¾ inch connection, $965 for a 1 inch connection, and $1,145 for a 2 inch connection. This tap fee shall cover all costs of material and equipment, labor and boring. The Commission further approves an increase in the authorized sewer connection fee from the previously authorized $500 to $825. These fees may only be charged when the Company physically connects a customer or developer to its water or wastewater system. Tap fees may only be collected once for each property, and either the builder or the resident of the home may be charged a tap fee, but not both. The Commission emphasizes that these are the only fees associated with water or sewer connection which are authorized. Similarly, with regard to WPU's request that it be permitted to pass on the costs of repairing STEP systems to the affected individual homeowners, the Commission declines to authorize such a charge.

IT IS THEREFORE ORDERED THAT:

1. The application of WPU for an increase in rates and charges for water and wastewater services and for an extension of its service area is hereby denied and the application dismissed.

2. The applicant WPU shall correct all violations of the statutes, rules and regulations pertaining to water and sewer utilities and shall bring itself into full compliance with all applicable statutes, rules and regulations.

3. The Commission adopts water tap fees as follows: $825 for a ¾ inch connection, $965 for a 1 inch connection, and $1,145 for a 2 inch connection. This tap fee shall cover all costs of material and equipment, labor and boring. The Commission further approves an increase in the authorized sewer connection fee from the previously authorized $500 to $825. These fees may only be charged when the Company physically connects a customer or developer to its water or wastewater system. Tap fees may only be collected once for each property, and either the builder or the resident of the home may be charged a tap fee, but not both. The Commission emphasizes that these are the only fees associated with water or sewer connection which are authorized.

4. The applicant WPU shall continue to own, operate, maintain and repair all STEP systems and all of its water and wastewater treatment facilities at its own expense as required herein.

5 As stipulated by the parties, the Villas at Wyboo condominium units, sales office, laundry, pool showers and restrooms shall be billed at one single-family equivalent; the assembly hall shall be billed at a rate of one-and-one-half-times a single-family equivalent; and the manager's residence shall be billed at a residential rate.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

C. Robert Moseley, Vice Chairman

(SEAL)